

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7128

BILL NUMBER: HB 1387

NOTE PREPARED: Jan 8, 2009

BILL AMENDED:

SUBJECT: Sales Tax Exemption for Drainage Equipment.

FIRST AUTHOR: Rep. Gutwein

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill provides that a component of a farm drainage system is exempt from Sales Tax if a farmer acquires the component. It provides that equipment designed specifically to install, repair, or maintain a farm drainage system is exempt from Sales Tax if the equipment is acquired by a farmer or a person in the business of installing, repairing, or maintaining farm drainage systems.

Effective Date: July 1, 2009.

Explanation of State Expenditures: *Department of State Revenue (DOR):* This bill will result in an increase in administrative costs for the DOR by requiring the DOR to revise Sales Tax forms as well as update computer software to incorporate the exemption. It is estimated that the DOR will be able implement this provision with its existing level of resources.

Explanation of State Revenues: *Impact on Sales Tax Revenue:* This bill would decrease Sales Tax revenue by an indeterminable amount. The bill provides that a component of a farm drainage system is exempt from Sales Tax if a farmer acquires the component. The impact on revenue will ultimately depend on the volume of sales of such property. Prices of such equipment could range from \$10,000 to \$400,000. However, it is estimated that such sales are infrequent.

Sales Tax revenue is deposited in the state General Fund (99.178%), the Public Mass Transportation Fund (0.670%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

Explanation of Local Expenditures:

Explanation of Local Revenues: Local revenues will be impacted to the extent that a local unit receives funds from the Public Mass Transportation Fund, the Commuter Rail Service Fund, or the Industrial Rail Service Fund.

State Agencies Affected: DOR.

Local Agencies Affected:

Information Sources: Ron Schlatter, Schaltters Inc, 219-567-9158.

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